NARDA's '85 retail survey reveals a thin bottom-line

No one knows it better than those out on the frontline. Profitability — in a word — typically was poor for retailers of home electronics and appliances in 1985. Dollar volume was up over '84, but "bottom-line profits failed to measure up," writes NARDA/NASD* in their annual "Cost of Doing Business Survey."

Not too surprising. In fact, the home electronics industry even has a nickname for this phenomenon: it's called "profitless prosperity." In response to squeezed profit margins, more dealers are turning to buying groups or cooperatives to help improve the bottom-line, NARDA/NASD reports.

If you're wondering how you stack up against the national average, here are some highlights of the 1985 NARDA/NASD survey.

Gross margins — Retailers who fall into the category "appliance, furniture, electronics - sales and service" were the clear-cut winners last year with an average gross margin of 35.5%. The losers? Dealers who sell, but do not service appliances and electronics. This group reported an average gross margin of 21.6%.

Major expenses — As a percentage of sales, the amount spent in 1985 on advertising (net after co-op), sales compensation and occupancy (rent or depreciation, maintenance and utilities) varied substantially among different kinds of retail operations. Outlets that sell and service appliances managed to hold expenses in these areas to 8.4% of their sales on the average.

Net income — After tax profits also varied widely between NARDA/NASD retailers. Electronics/appliance sales-only dealers who add furniture to the mix are the big money-makers, according to the NARDA/NASD report. One can infer from this that the typically higher-than-average margins offered in furniture are responsible for this divergence from the norm. Average net income came in at 4.2% of total gross sales, 2% above the next higher retailer category — electronics sales, service and rental stores — which registered 2.2%.

At the bottom of the barrel were electronics/appliance dealers who sell, service and rent. This category posted low average net income of 0.75%.

Listed below is the average net income for nine different types of retail operations. All figures are expressed as a percentage of gross total sales.

Average Net Income

Appliance/electronics sales and service firms — Gross sales volume:
Under $1 million: 1.4%
$1 to $5 million: 1.7%
Over $5 million: 2%
Average: 2%

Electronics sales and service firms. Gross sales volume:
Under $1 million: 3.4%
Over $1 million: 1.2%
Average: 1.7%

Appliance sales and service firms. Gross sales volume:
Under $1 million: 2.8%
Over $1 million: 0.05%
Average: 1.5%

Appliance/electronics sales-only firms. Gross sales volume:
Under $5 million: 1.1%
Over $5 million: 1.7%
Average: 1.5%

Appliance/furniture/electronics sales and service firms:
Average for all volumes: 1.6%

Appliance/furniture/electronics sales-only firms:
Average for all sales volumes: 4.2%

Appliance/electronics sales, service and rental firms. Gross sales volume:
Under $1 million: 1.6%
Over $1 million: 0.5%
Average: 0.8%

Electronics-only sales, service and rental firms. Gross sales volume:
Under $1 million: 1.9%
Over $1 million: 2.2%
Average: 2.2%

Appliance/electronics service-only firms:
Average for all sales volumes: 1.5%

*National Association of Retail Dealers of America/National Association of Service Dealers.

Our Floor Plan Dealers Have An Edge...

In the past, selling with credit was not always easy. And when a finance company offered "immediate" credit approval, you knew it really meant one full working day...or, at best, two to three hours.

At Whirlpool Acceptance, that wasn't good enough. Nothing short of a whole new concept in approving retail credit was sufficient to meet **our** definition of the word "immediate."

So we combined the technology of today with the proven principles of yesterday...to offer our dealers credit approval that truly **is** immediate and retail packages that truly **are** easy to use.

Credit approval in seconds. Most applications can be approved within seconds of the time an applicant's credit information is received. Because our computers can process a customer's credit history **even as you read it over the phone!** So...when you turn away from that phone, you **know** that sale is "closed"...and not just "in the process."

Service seven days a week...and late at night. "Banker's hours" may be good for some finance companies, but at Whirlpool Acceptance, credit is approved Monday through Friday, 9 a.m. - 11 p.m., Saturday 9:00 a.m. - 9:00 p.m. and on Sundays, noon 'til 8 p.m. (EST).

State-of-the-art computer centers. We have fully integrated decision software that delivers virtually instantaneous credit approvals

Prompt payment. Payment for a retail contract — instalment or revolving charge — is usually issued within one working day of receipt of a completed contract.

Credit limits known at time of sale. Credit limits are normally at amounts higher than requested. You and your customers know these higher limits at the time you complete the sale. So it's easy to add another feature if your customer wants...or plan for an additional purchase in the future...

Toll-free numbers. Our dealers never worry about long-distance calls. Our credit approval numbers are always **toll-free.**

"Glad you called" service. At Whirlpool Acceptance, we offer the kind of personalized service that makes you glad you called. It doesn't cost anything to try us...why not pick up the phone today?

To learn how you can have a retailing edge, write or call our corporate sales department. 553 Benson Road, Benton Harbor, Michigan 49022 (616) 926-5500

Whirlpool Acceptance CORPORATION

Showtime Video Ventures has introduced its controversial Universal Stabalizer, a device that is proposed as a corrective measure for sync problems caused by prerecorded videotape copyguards, but is also a copyguard breaker that could allow illegal copying of protected tapes. The manufacturer claims that no form of copyguard is immune, including Macrovision, which has been accepted for use by a number of the major studios. Suggested retail price for the unit is $279.95.

If you're running an appliance store or a radio & TV store, word has it from Wall Street that you're fairly popular. The Dun & Bradstreet Corp. reports that 435 appliance stores opened during the first six months of this year, as did 739 radio & TV stores. Compared to the first half last year, appliance store starts are up about 20 percent, while radio/TV starts dropped about 11 percent. As you'll notice in the accompanying charts, wholesalers of electronics parts and equipment also are popular in the eyes of entrepreneurs.

	First 6 mos of: 1985	1986
WHOLESALE TRADE BUSINESS STARTS		
Electronics, appliances, TV & radio	193	164
Electronics parts and equipment	476	447
RETAIL TRADE BUSINESS STARTS		
Household appliance stores	350	435
Radio & TV stores	822	739
WHOLESALE TRADE BUSINESS FAILURES		
Electronics, appliances, TV and radio	19	31
Electronic parts and equipment	42	60
RETAIL TRADE BUSINESS FAILURES		
Household appliance stores	80	93
Radio & TV stores	129	147

Source: The Dun & Bradstreet Corp.

36 Reasons Why, This Holiday Season, It's Better To Give Than To Rent.

FIVE STAR COLLECTION II

GREAT ENTERTAINMENT AT A GREAT PRICE

$29.98*

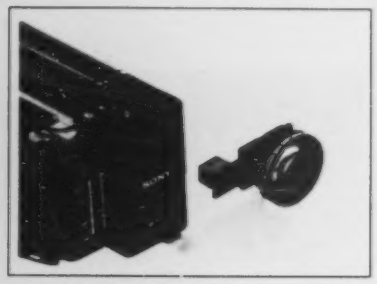
This holiday season, CBS/FOX VIDEO is giving your customers three dozen compelling reasons to give a gift of video.

From HELLO, DOLLY! to ROCKY, ROCKY II, ROCKY III to ALIEN to YANKEE DOODLE DANDY, our FIVE STAR COLLECTION II has something for everybody on your customers' gift list.

But the best part is, at a suggested retail price of $29.98 each, they're ready to move.

All of which means, it's time to get in the holiday spirit. Order extra copies of the FIVE STAR COLLECTION II today. And get ready for sales tidings of great joy.

Handycam retailers should note the new lens accessories for Sony's 8mm point-and-shoot model from Lenmar Enterprises, Gardena, CA. Two slip on lenses,



both made with Japanese glass optics, provide either 1.7X telephoto (shown here) or 0.5X wide angle shooting. Perhaps the telephoto will be useful for spotting those droves of 8mm customers, whom we're told are somewhere on the horizon, over the rainbow.

Compusonics was back in the news with the recent introduction of a CD-like digital audio system with recording capability, and a $6,995 retail pricetag. The system uses a 5-inch double-sided ($175) or single-sided ($99) optical disk that may be recorded once for permanent playback. First deliveries to dealers are expected in November through hi-fi maker McIntosh Labs. Also demo'd was an early prototype of an audio/video floppy disk recorder, which allowed 5 minutes of "semi-motion" video with audio; ultimately, such a system would allow sales of inexpensive music video "singles." Meanwhile, the company says it's still committed to the digital floppy disk recorder/player for consumers that it promised for last year. Still in development is a high-density drive that will allow an hour of music on a single disk.

Rabbit Systems has launched an aggressive TV advertising campaign this fall to promote its VCR-Rabbit, which allows the sending of VCR signals to remote TVs throughout the home. Beginning September 22, phase I will run for four weeks; phase II begins on November 7 and also runs for four weeks to help maximize Christmas sales. The spots will run about 100 times per week; the campaign blankets the top 20 TV markets across the country, according to president Ed Krakauer.